

Decision Matrix  
Superior Water, Light and Power  
Docket 5820-UR-110  
November 20, 2006

Public Service Commission of Wisconsin  
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ISSUE	TRANSCRIPT REFERENCE	AMOUNT	POSITIONS OF THE PARTIES
<b>REVENUE REQUIREMENT</b>			
1. Should 2007 gross receipts tax expense be increased to reflect updated estimate of 2006 electric revenues?	Tr. 109-110  Tr. 43 Ex. 27	\$93,135	<b>SWLP:</b> Approve revised forecasts of 2006 electric revenues and 2007 gross receipts tax expense.  <b>Alternative One:</b> Approve applicants filed estimate of 2007 gross receipts tax expense.  <b>Alternative Two:</b> Approve applicants revised forecast of 2006 electric revenue and 2007 gross receipts tax expense.
2. Should the Commission staff's audit adjustments made to SWLP's filed revenue requirement be included in the final revenue requirement?  (Uncontested)	Tr. 101-108 Ex. 30, Sch. 1, 2, and 3	Income Statement Electric: \$124,494 Gas: \$83,069 Water: \$76,483  Average Rate Base Electric: \$293,452 Gas: \$125,500 Water: \$447,276	<b>Uncontested Alternative:</b> Reflect in revenue requirement the Commission staff adjustments.
3. Demand-Side Management  a. What are the appropriate electric and natural gas conservation escrow budget levels to be included in the revenue requirement?  (Uncontested -Decision Required)	Tr. 130-133          Tr. 74-75 Ex. 12	Electric: \$40,496 Gas: \$69,504	<b>Uncontested Alternative One:</b> An appropriate 2007 conservation escrow budget is \$919,110, with \$338,360 allocated to electric and \$580,750 allocated to natural gas. This budget reflects the additional 2007 costs needed for SWL&P to meet its increased energy efficiency obligations as a result of Act 141.  <b>Uncontested Alternative Two:</b> An appropriate 2007 conservation escrow budget is \$809,110, with \$297,864 allocated to electric and \$511,246 allocated to natural gas.

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b. Are SWLP's customer service conservation activities appropriate?  (Uncontested)	Tr. 75, 130-131		<b>Uncontested Alternative:</b> Yes. Should SWL&P propose to modify its customer service conservation offering to better align its activities with the statewide energy efficiency programs, it should inform Commission staff of proposed changes and receive Commission staff acceptance of the changes before they are implemented.
<b>FINANCIAL</b>			
4. What is a reasonable capital structure for ratemaking in this docket?	Tr. 16, 20 Ex. 9 Sch. 1  Tr. 81-82, 95-96 Ex. 28 Sch. 1, 29, 30 Sch. 5	Increase in ratio of 3.58 percent equals approximately \$200,000.	<b>SWLP:</b> SWLP's filing included 60.06 percent common equity, 30.58 percent long-term debt, and 9.36 percent short-term debt.  <b>Alternative One:</b> A reasonable level of common equity for the test year average is 60.06 percent. (SWLP)  <b>Alternative One:</b> A reasonable level of common equity for the test year average is _____ percent. (A number between 53.80 percent and 60.06 percent).
5. What is a reasonable interest rate for SWLP's variable rate industrial revenue bonds?  (Uncontested)	Ex. 9 Sch. 3  Tr. 82-85 Ex. 28		<b>Uncontested Alternative:</b> A reasonable rate for SWLP's variable rate industrial development bonds is a 4.24 percent.
6. What is a reasonable embedded cost for SWLP's long-term debt?  (Uncontested)	Tr. 16-17 Ex. 9 Sch. 1 & 3  Tr. 85 Ex. 28, 30 Sch. 5		<b>Uncontested Alternative:</b> A reasonable embedded cost of long-term debt is 7.01 percent.

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7. What is a reasonable interest rate for SWLP's short-term borrowing?  (Uncontested/Decision Required)	Tr. 17, 19-20 Ex. 9 Sch. 1  Tr. 82-85 Ex. 28, 30 Sch. 5, 38		<b>Uncontested Alternative:</b> Based on current forecasts, a reasonable rate for SWLP's short-term borrowing is a percentage based on Delayed Exhibit 38, Page 1, Schedule 6 plus 25 basis point administrative adder and 18 basis point credit spread adder.
8. What is a reasonable return on equity for the test year?	Tr. 9, 17, 19-20, 24-28 Ex. 9 Sch. 1 & 5  Tr. 100, 106-108, 85-93 Ex. 28, 30 Sch. 5, 38	10 basis points approximates: Electric: \$15,000 Gas: \$9,000 Water: \$19,000	<b>SWLP:</b> Company's filing used a return on equity of 11.7 percent.  <b>Alternative One:</b> Based on current economic conditions, a reasonable rate of return on SWLP's common equity is a percentage based on Delayed Exhibit 38.  <b>Alternative Two:</b> A reasonable rate of return on SWLP's common equity is the company's proposed 11.7 percent.  <b>Alternative Three:</b> A reasonable range for the rate of return on SWLP's common equity is between 10.00 percent and 11.30 percent.
9. What are reasonable inflation rates for years 2006 and 2007?  (Uncontested/Decision Required)	Tr. 37, 39  Tr. 83 Ex. 28 Sch. 5, 38		<b>Uncontested Alternative:</b> Reasonable estimated inflation rates for 2006 and 2007 are the updated rates based on Delayed Exhibit 38, Schedule 5.

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<b>ELECTRIC REVENUE ALLOCATION, RATE DESIGN, AND COST-OF-SERVICE STUDIES</b>			
10. What is the appropriate electric revenue requirement allocation?  (Uncontested)	Tr. 30, 56-62, Ex. 3-8  Tr. 113-118 Ex. 31		<b>SWLP:</b> Does not object to Commission staff's revenue requirement allocation, which reflects the Commission staff auditors' adjustments.  <b>Uncontested Alternative:</b> Determine that the electric revenue requirement allocation proposed by Commission staff adjusted for the final revenue requirement is reasonable.
11. What is the appropriate electric rate design?  (Uncontested)	Tr. 30, 56-62, Ex. 3-8  Tr. 116-118 Ex. 31		<b>SWLP:</b> Does not object to Commission staff's rate design which reflects the Commission staff auditors' adjustments.  <b>Uncontested Alternative:</b> Determine that the electric rate design proposed by Commission staff adjusted for the final revenue requirement is reasonable.
12. Should SWLP be required to work with Commission staff to determine the type of information to be gathered to examine rate restructuring and time-of use rate options for its customers in its next rate case?  (Uncontested)	Tr. 30   Tr. 115		<b>SWLP:</b> Does not object to working with Commission staff to determine the type of information to be gathered to examine rate restructuring and time-of use rate options for its customers in its next rate case.  <b>Uncontested Alternative:</b> Determine that SWLP work with Commission staff to determine the type of information to be gathered to examine rate restructuring and time-of use rate options for its customers in its next rate case.
<b>NATURAL GAS REVENUE ALLOCATION, RATE DESIGN AND COST-OF-SERVICE STUDIES</b>			
13. What range of natural gas cost-of-service studies (COSS) should be utilized to establish class revenue allocation and rate design?  (Uncontested)	Tr. 67-69 Ex. 11		<b>SWLP:</b> Performed one embedded COSS. Does not oppose use of Commission staff's two embedded COSS, in addition to company COSS, as guides for revenue allocation and rate design.

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	Tr. 137-140 Ex. 33		<b>Uncontested Alternative:</b> All of the COSS can be used to determine the range of reasonableness for revenue allocation and rate design.
14. What is the appropriate natural gas rate design?	Tr. 68-69 Ex. 11  Tr. 140-142 Ex. 35		<p><b>SWLP:</b> Increase residential by 2.18 percent, small commercial by 2.43 percent, large commercial by, 2.68 percent, small interruptible by 2.69 percent, and large interruptible by 3.0 percent.</p> <p><b>Other:</b> Increase residential by 1.13 percent, small commercial by 1.04 percent, large commercial by 1.29 percent, small interruptible by 1.40 percent, and large interruptible by 1.51 percent.</p> <p><b>Alternative One:</b> Commission staff's rate design proposal as shown in Exhibit 35 is most appropriate.</p> <p><b>Alternative Two:</b> SWLP's rate design proposal as shown in Exhibit 11 is most appropriate.</p>
<b>WATER REVENUE ALLOCATION, RATE DESIGN, AND COST-OF-SERVICE STUDIES</b>			
15. Is the water cost of service study (COSS) submitted in this case reasonable?  <b>(Uncontested)</b>	Tr. 70-71 Ex. 36, Sch. 3  Tr. 122-124 Ex. 32		<p><b>SWLP:</b> The company did not take exception to the water COSS submitted by Commission staff.</p> <p><b>Uncontested Alternative:</b> Commission staff's water COSS is a reasonable option for use as a guide in deciding the water rate design.</p>
16. What is the appropriate water rate design?  <b>(Uncontested)</b>	Tr. 70 Ex. 36, Sch. 2  Tr. 125-126 Ex. 32		<p><b>SWLP:</b> The company did not take exception to the water rate design submitted by Commission staff.</p> <p><b>Uncontested Alternative:</b> Authorize water rates based on Commission staff's rate design.</p>

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